

Spend Insights

"While year-over-year confidence in the economy continued to increase, quarterly responses show this trend leveling off. We're also seeing increasing concerns in microeconomic and macroeconomic categories, which could be related to plateauing confidence. In terms of marketing, new data on spending plans indicate companies of all sizes are increasing their focus on this growth tactic. Finally, responses related to financing suggest small business owners may be seeking higher credit card limits — a trend financial institutions may want to consider as they assess their product and risk strategies going into 2016."

— Janet Zablock, Head of Global Small Business, Visa Inc.

Findings at a glance

Overall optimism about the economy remains high, but may be plateauing.

Year-over-year responses continued to show a significantly improved outlook, but quarterly responses confirm confidence in key growth categories seems to be leveling off. Additionally, 3Q15 responses reveal increased apprehension around attracting and retaining customers, staying in business and managing cash flow — factors which could be contributing to plateauing confidence. [Read more >](#)

Small businesses of all sizes may be pursuing growth more aggressively.

As last quarter's responses related to marketing plans indicated, many small business owners remain focused on growth. As might be expected, willingness to spend increases with company size. But even among companies with less than \$500k in revenue, more than 60% report plans to increase spending on marketing. This new data further supports the notion that growth-oriented mindsets are prevalent across all company sizes. [Read more >](#)

Digital marketing appeals to small businesses of all sizes.

Roughly half of small business owners surveyed are focusing their marketing spend on digital channels. Many indicate plans to invest in automation tools for email and social media marketing. These responses demonstrate digital marketing is becoming integral to small business owners' overall marketing strategies — especially for those with more than \$5 million in annual revenue. [Read more >](#)

Responses about credit limits and financing may reveal growth opportunity.

Year-over-year concerns about inflation, interest rates, loan terms and access to credit increased significantly last quarter and remained high in 3Q15 — as did plans to borrow more money. Given these trends, small business owners may be looking to increase their reliance on credit cards as a source of funds. However, they appear concerned that insufficient credit card limits may hinder them from using their cards more. [Read more >](#)



Top 5 Individual Concerns of 3Q15¹

This quarter	Last quarter	vs. A year ago
1 Attracting new customers	1 -	1 -
2 Cost of health insurance	3 ↑	2 -
3 Retaining existing customers	4 ↑	4 ↑
4 Rising taxes	2 ↓	3 ↓
5 Managing cash flow	6 ↑	T5 -*

Top 5 Macroeconomic Concerns of 3Q15²

This quarter	Last quarter	vs. A year ago
1 Possibility of increasing inflation	2 ↑	2 ↑
2 Decline in consumer confidence	1 ↓	1 ↓
3 Increase in energy prices	4 ↑	3 -
4 Rising interest rates	5 ↑	5 ↑
5 Falling value of the dollar	3 ↓	4 ↓

¹Q: Now we would like to ask you about concerns that other small business people have mentioned. For each one, please indicate whether this is a critical concern, a major concern, a minor concern or no concern at all to your business.

²Q: What major issue facing the economy most concerns you as a small business owner?

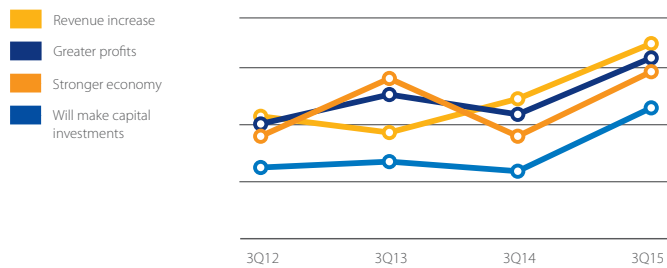
* Tied for fifth with, "More restrictive government regulation."

Overall optimism about the economy remains high, but may be plateauing

3Q confidence related to revenue, profits, capital investments and the economy has increased significantly over the past four years. However, responses to each of these questions have remained fairly flat for the past four quarters. Combined with increasing apprehension around key business concerns, these responses suggest outlooks may be shifting.

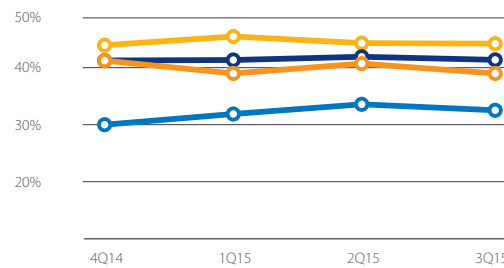
3Q confidence spikes in key categories³

With some fluctuation between 2012 and 2014, confidence in revenue, profits, the economy and making capital investments has grown significantly compared to a year ago.



Quarterly confidence in key categories remains flat³

Responses indicating confidence in revenue, profits, the economy and making capital investments remain high, but appear to have leveled off in the past four quarters.



"We are constantly searching for new opportunities for investment."
— Real estate

Rising concerns about cash flow and staying in business¹

3Q concerns over cash flow and staying in business have increased gradually, but spiked in 2015.



Rising concerns about attracting and retaining customers¹

After little to no movement from 3Q13 to 3Q14, responses indicating concern about attracting and retaining customers each jumped five points from a year ago.



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Despite some increasing concerns, twelve-month* spend in the "Travel and Entertainment" category continued to grow at a strong, consistent pace of 9%, including a robust jump of 12% in the "Restaurant" category.

¹Q: Now we would like to ask you about concerns that other small business people have mentioned. For each one, please indicate whether this is a critical concern, a major concern, a minor concern or no concern at all to your business.

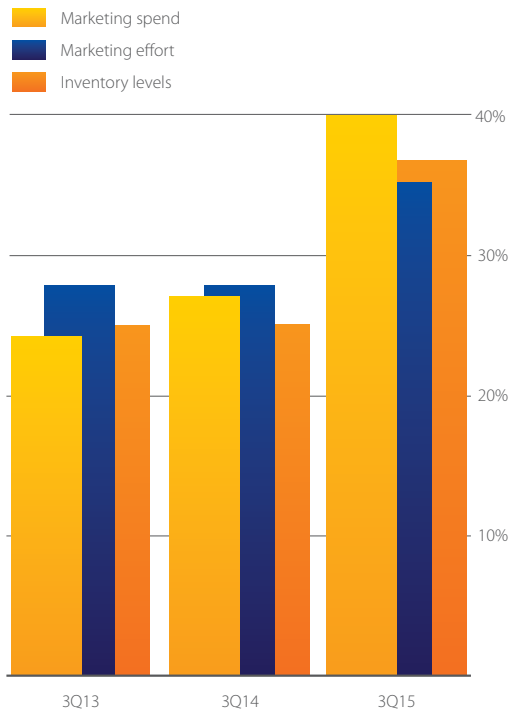
³Q: Thinking of the business in which you are an owner, part-owner, partner or the financial decision maker please tell me how likely each of the following is to occur.

Small businesses of all sizes may be pursuing growth more aggressively

For the second consecutive quarter, marketing and inventory plans indicate the pursuit of growth. And when responses are viewed by businesses' annual revenue, this growth-oriented mindset seems to be prevalent even among the smallest organizations.

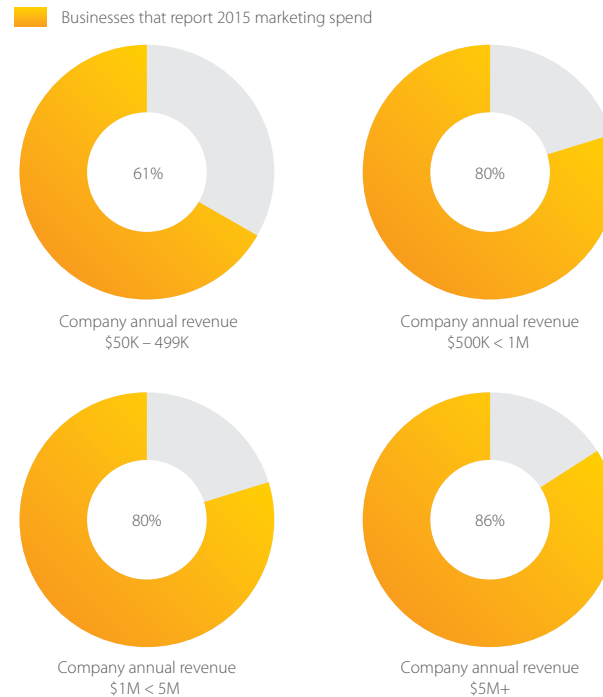
Record-high responses related to marketing spend and effort³

3Q plans to increase marketing effort and spend each reached the highest level since this survey began. Plans to increase inventory are also on the rise.



Marketing spend appears prevalent across revenue ranges⁴

Reported marketing spend is most prevalent among small businesses with higher revenue. However, even among those with less than \$500k in revenue, a solid majority report significant spending on marketing.



"I'm investing more resources in advertising and marketing (both online and offline)."
— Logistics

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In keeping with other shifts observed this quarter, overall twelve-month* expenditures related to attracting new customers rose 10%, led by a 20% increase in the "Advertising Services" category.

³Q: Thinking of the business in which you are an owner, part-owner, partner or the financial decision maker please tell me how likely each of the following is to occur.

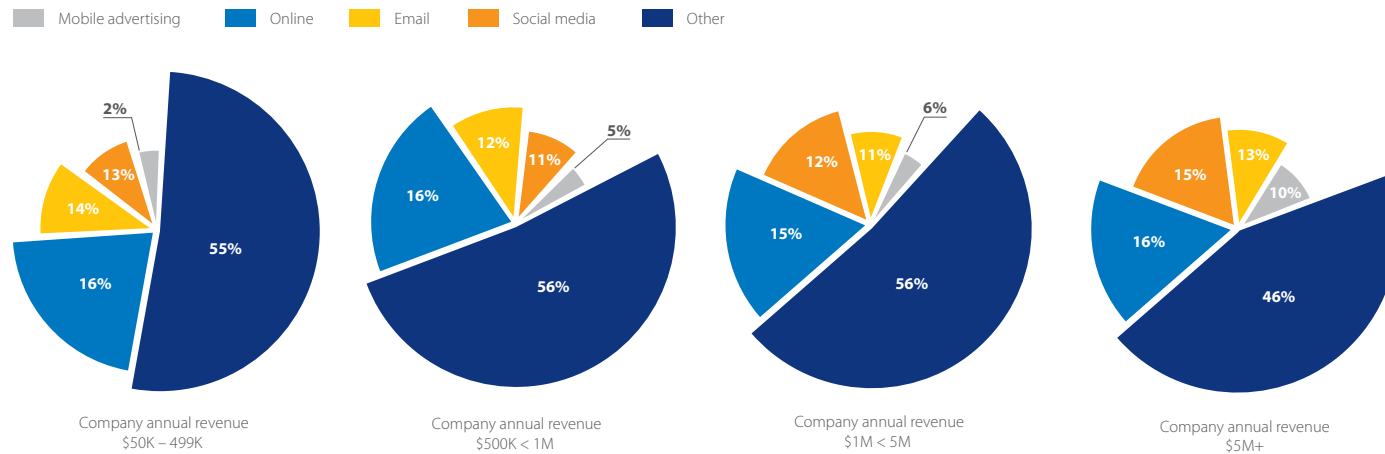
⁴Q: What percentage of your total 2015 marketing/advertising spend will be spent in each of these timeframes?

Digital channels are becoming increasingly integral to marketing efforts

The use of online marketing is becoming more common among small business owners. Responses display a significant portion of budgets being spent on digital channels, including tools to automate digital marketing efforts.

Digital accounts for significant portion of marketing spend⁴

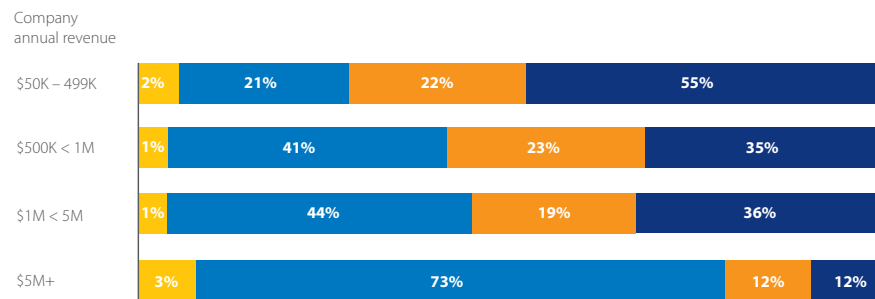
Among small business owners with revenues of \$50K–\$5M, online, social, mobile and email combine to account for nearly half of their marketing and advertising spend. For those with \$5M+, it's more than half.



“Compared to six months ago, we’re spending a lot more time on online marketing.”
— Retail

Many plan to invest in automation tools⁵

Responses show a significant number of small business owners either already invest in, or plan to invest in automation tools for social media posts and email blasts. However, this figure is significantly lower among those with revenues of \$50K–\$499K than those with \$5M+.



Spend Insight 3

Twelve-month* spend in the “Computer Software” category grew by 25% in 3Q15. And with many small business owners reporting planned investment in digital marketing automation tools, their actual spending may reflect those plans.

⁴Q: Thinking about your marketing/advertising spending for 2015, where have you/will you focus your spending?

⁵Q: In the next 12 months, how likely are you to consider investing in technology/automation tools (such as tools that can automate posts to social media, or tools that can enable email blasts) for your business?

Responses about credit limits and financing may reveal growth opportunity

Inflation and interest rates remain top of mind, concerns about financing terms and access are still elevated and plans to borrow more money continue to rise. Meanwhile more and more respondents are citing their credit card limits are insufficient. By increasing credit limits and promoting cards as an alternative means of short-term financing, financial institutions may have an opportunity to shift opinions and drive card usage with limited exposure to additional risk.

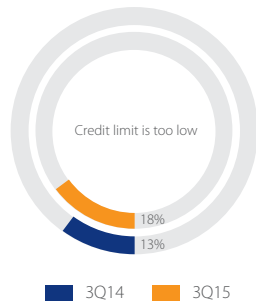
Responses around financing^{2,6}

Year-over-year responses continue to indicate small business owners are apprehensive about having their financing needs met — whether it's through traditional loans or their credit card.

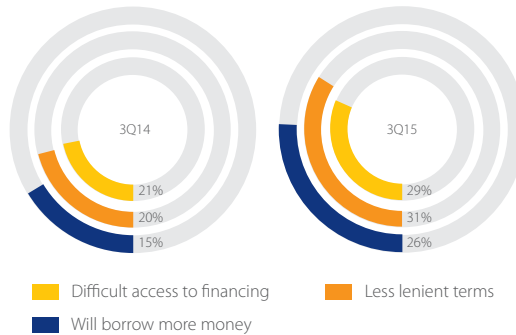


"One thing we could really use right now is more access to funds for investment."
— Healthcare

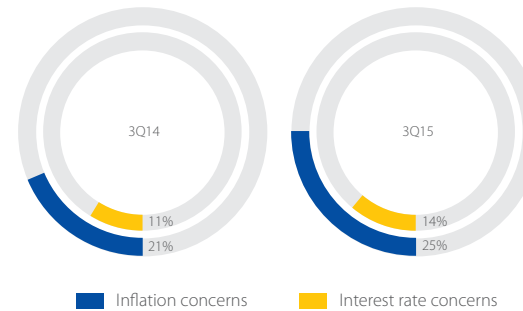
Barriers to using plastic⁶



Expectations around financing³

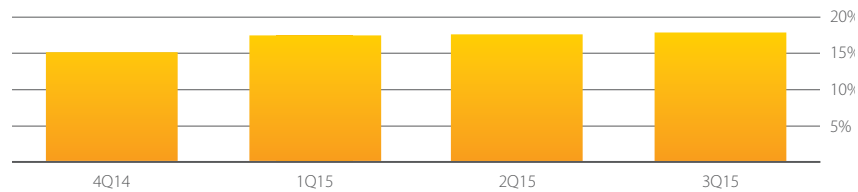


Concerns about financing²



Barriers to using plastic⁶

In 1Q15 responses citing low credit limits as barrier to using plastic reached the highest level since this survey began and have remained at that level for the past three quarters.



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One noteworthy topic not yet covered in this quarter's report is energy spend. Twelve-month* transaction volume for fuel remained flat, but with gas prices falling over the past year, the spend volume actually decreased by 18%.

²Q: What major issue facing the economy most concerns you as a small business owner?

³Q: Thinking of the business in which you are an owner, part-owner, partner or the financial decision maker please tell me how likely each of the following is to occur.

⁶Q: What are some barriers to using plastic cards?

Small business profile:

Nail salon owner finds chip card readers faster and easier ... hands down

Susan Nam, owner of Polished Beauty Bar in New York, knows her customers want an easy, safe salon experience. She wants processing their card payments to be simple and secure, too. So she didn't think twice about upgrading her point-of-sale terminal to read new EMV chip cards.

"It was easier than changing your cell phone," Nam said. "There was no downloading, no downtime. It was switching one machine out for another, unplugging it — and then plugging in the new one."

Her customers appreciate the extra security. "They understood that it was for their benefit and ours," she added. "Enough of my clients had traveled abroad that they knew these terminals do exist and understood what they needed to do."

"I honestly don't understand the hesitation of small business owners who know the guidelines have changed and that liability has switched over," Nam reasoned, referring to the liability shift that took effect on October 1. "Why would you want to take the risk of having to eat the cost of a fraudulent transaction yourself when all you need to do is change the terminal?"

Read the full feature on [tumblr](#)

Financial institutions, learn more about providing cardholders with chip technology at www.visachip.com/issuers

Merchants, access staff training, terminal decals and other resources at www.visachip.com/business toolkit



Susan Nam made the easy switch to a chip terminal



Small business resources

Small businesses that seek solutions to help manage their business can turn to Visa Business for support. For information about Visa's small business solutions, visit visa.com/business

About Spend Insights methodology

Visa Small Business Spend Insights monitors the economic confidence of small business owners by cross-referencing actual behavior spend data with responses to a quarterly survey exclusively commissioned from TNS by Visa. This study of businesses with \$50,000–\$25,000,000 in annual revenue was based on small business survey data from April 2007 through September 2015 and also consists of 601 interviews conducted between October 8-16, 2015.

NOTE: This survey is in no way meant to represent or reflect the true nature of the economy. Rather, it is presented as an additional data set meant to help the reader gather information and develop an informed conclusion.

*Twelve-month spend refers to the 12 months of data from the current quarterly reporting period to the same quarter of the previous year. The current quarterly report covers data from October 1, 2013 to September 30, 2014 and from October 1, 2014 to September 30, 2015.